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Dalex

Dalex Co. Ltd.

ANNUAL REPORT 1967

BOARD OF DIRECTORS D'ARCY F. McCONVEY, *Chairman*
E. JAMES ANDERSON
ROBERT A. DAVIES, Q.C.
ROBERT C. DOLPHIN
ROBERT HARTOG
KENNETH D. MOONEY
J. DOUGLAS MOSSOP
ROBERT D. TELFER

OFFICERS D'ARCY F. McCONVEY, *President*
ROBERT C. DOLPHIN, *Vice-President*
JAN HAMMER, *Secretary Treasurer*

TRANSFER AGENT THE CANADA TRUST COMPANY
Toronto, Ontario

BANKERS CANADIAN IMPERIAL BANK OF COMMERCE
Toronto, Ontario

LEGAL COUNSEL DAVIES, WARD & BECK
Toronto, Ontario

AUDITORS CLARKSON, GORDON & CO.
Toronto, Ontario

OFFICES 33 TORBARRIE ROAD
Downsview, Ontario

Report to the Shareholders of

DALEX CO. LIMITED

This year both Dalex Industries Limited and Cutter Industries Limited earned record profits. The consolidated results therefore, show record profits.

Net profit for the year was \$109,641 compared to \$51,575 for the preceding year.

The surplus account increased by \$92,134 after payment of \$17,507 of dividends on preference shares.

During a similar fiscal period, National-Dalex Ltd., in which we hold a 50% interest, earned an indicated profit of approximately \$22,000.

Several months ago we purchased, at a nominal cost, all outstanding shares of Trailex Manufacturing (Canada) Limited, a small manufacturer of aluminum trailers for boats and snow-mobiles. We believe this Company and Cutter Industries will complement each other.

We expect the current fiscal year to show a further improvement in sales and earnings.

D'ARCY F. McCONVEY
President

January 16th, 1968

DALEX CO.

and its subsidiaries

CONSOLIDATED**September 30, 1967**

(with comparative figures for 1966)

<u>ASSETS</u>		1967	1966
CURRENT:		\$ 19,879	\$ 169
Cash			
Accounts receivable—Trade	753,129		
—Other	21,906		
	<u>775,035</u>		
Less allowance for doubtful accounts	106,000	669,035	898,632
Inventories, valued at the lower of cost and net realizable value—			
Equipment, motors and boats	208,402		
Parts and accessories	185,999		
Raw materials and supplies	79,268		
Work in process	<u>23,217</u>	496,886	607,926
Prepaid expense		<u>24,678</u>	<u>26,906</u>
Total current assets		1,210,478	1,533,633
Special refundable tax		2,646	1,165
INVESTMENT IN AND ADVANCES TO NATIONAL-DALEX LTD.			
(50% owned) — at cost:			
Shares (note 2)	500		
Advances	<u>9,000</u>	9,500	23,500
FIXED — at cost:			
Land		45,730	45,730
Building and equipment	371,490		
Less accumulated depreciation	<u>165,370</u>	206,120	220,427
TRADEMARKS — at cost		<u>400</u>	<u>400</u>
		<u><u>\$1,474,874</u></u>	<u><u>\$1,824,855</u></u>

See accompanying notes

AUDITOR'S REPORT

To the Shareholders of DALEX CO. LIMITED:

We have examined the consolidated balance sheet of Dalex Co. Limited and its subsidiaries, contributed surplus and source and application of funds for the year then ended. Our examination was limited to the audit of the balance sheet and we did not audit the source and application of funds. We also examined other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Dalex Co. Limited and its subsidiaries as at the year then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,
December 7, 1967.

LIMITED

companies

ALANCE SHEET

0, 1967

September 30, 1966)

LIABILITIES

Current:

	1967	1966
Due to bankers (note 3)	\$ 271,000	\$ 578,847
Accounts payable and accrued charges	286,746	419,835
Current portion of mortgage payable	7,682	7,261
Income taxes payable	33,052	27,749
Total current liabilities	598,480	1,033,692

7% MORTGAGE payable in monthly instalments of \$1,340 principal and interest

	136,882		
Less portion shown as current liability	7,682	129,200	136,103

SHAREHOLDERS' EQUITY:

Capital—

Authorized less purchased for cancellation:

4,403 7% cumulative redeemable preference
shares with a par value of \$100
each redeemable at \$105

60,000 common shares without par value

Issued:

2,501 preference shares	250,100
36,400 common shares	10,407
	260,507

Contributed surplus

Earned surplus

747,194	655,060
<u>\$1,474,874</u>	<u>\$1,824,855</u>

On behalf of the Board:

ng notes

D'Arcy McConvey, Director

Robert Telfer, Director

REPORT

as at September 30, 1967, and the consolidated statements of profit and loss, earned surplus,
uded a general review of the accounting procedures and such tests of accounting records and

the companies as at September 30, 1967 and the results of their operations and the source
ing principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.

Chartered Accountants

DALEX CO. LIMITED

and its subsidiary companies

STATEMENTS OF CONSOLIDATED EARNED SURPLUS AND CONTRIBUTED SURPLUS

FOR THE YEAR ENDED SEPTEMBER 30, 1967

(with comparative figures for the year ended September 30, 1966)

EARNED SURPLUS

	1967	1966
Balance at beginning of year	\$386,827	\$355,066
Add net profit for the year	109,641	51,575
	<u>496,468</u>	<u>406,641</u>
Less:		
Dividends paid on preference shares	17,507	17,507
Tax adjustments of prior year		2,307
Balance at end of year	<u>\$478,961</u>	<u>\$386,827</u>

CONTRIBUTED SURPLUS

Balance at beginning of year	\$ 7,726	\$ 7,734
Deduct premium on the purchase of preference shares for cancellation		8
Balance at end of year	<u>\$ 7,726</u>	<u>\$ 7,726</u>

See accompanying notes

DALEX CO. LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR THE YEAR ENDED SEPTEMBER 30, 1967

(with comparative figures for the year ended September 30, 1966)

	1967	1966
Sales	\$5,984,031	\$5,392,983
Costs, including selling, warehouse, general and administrative expenses	<u>5,800,931</u>	<u>5,283,705</u>
Profit before income taxes	183,100	109,278
Income taxes (note 5)	<u>73,459</u>	<u>57,703</u>
Net profit for the year	<u><u>\$ 109,641</u></u>	<u><u>\$ 51,575</u></u>

The above statement of consolidated profit
and loss includes the following items:

Depreciation	\$ 33,099	\$ 32,779
Salaries and fees paid to directors and senior officers	100,332	84,636

See accompanying notes

DALEX CO. LIMITED
and its subsidiary companies
**STATEMENT OF CONSOLIDATED SOURCE
AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 1967

(with comparative figures for the year ended September 30, 1966)

	1967	1966
Funds derived from operations:		
Net profit	\$ 109,641	\$ 51,575
Add depreciation which did not require a cash outlay during the year	33,099	32,779
	<u>142,740</u>	<u>84,354</u>
Reduction in advances to associated company	14,000	12,000
	<u>156,740</u>	<u>96,354</u>
Funds applied to:		
Purchase fixed assets (net)	18,792	42,757
Pay dividend on preference shares	17,507	17,507
Purchase preference shares for cancellation		1,508
Pay prior year's income tax adjustment		2,307
Reduce principal of mortgage payable	6,903	6,454
Acquire trademarks		400
Pay special refundable tax	1,481	1,165
	<u>44,683</u>	<u>72,098</u>
Increase in consolidated working capital (as indicated below)	<u>\$112,057</u>	<u>\$24,256</u>
	September 30, 1967	September 30, 1966
Current assets	\$1,210,478	\$1,533,633
Less current liabilities	598,480	1,033,692
Consolidated working capital	<u>\$ 611,998</u>	<u>\$ 499,941</u>
		Increase (decrease)
		\$ (323,155)
		(435,212)
		<u>\$ 112,057</u>

See accompanying notes

DALEX CO. LIMITED

and its subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 1967

1. A subsidiary company is contingently liable for guarantees of payments on balances owing to finance companies in the amount of \$1,379,974.
2. The book value of the equity of the company in the shares of National-Dalex Ltd. at September 30, 1967 amounted to \$54,944.
3. The bankers hold a general assignment of accounts receivable and a first floating charge debenture for \$800,000 as collateral against the amounts advanced.
4. The company is committed to an annual rental of \$18,956 on its former premises to March 31, 1969; this property has been sublet at an annual rental of \$15,360. A subsidiary company is committed to an annual rental of \$19,278 on its premises to November 30, 1970.
5. Income taxes for the year ended September 30, 1967 have been reduced by approximately \$10,000 as a result of the carry-forward of the prior year's loss of a subsidiary company.

